

Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 11552 01 OF 02 231806Z

43

ACTION EUR-12

INFO OCT-01 EA-07 NEA-10 IO-13 ISO-00 SP-02 USIA-06 AID-05

EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 /117 W

----- 125573

R 231756Z JUL 76

FM AMEMBASSY LONDON

TO TREASURY DEPT WASHDC

SECSTATE WASHDC 3934

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

USDOC WASHDC

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 11552

DEPARTMENT PASS FRB

TREASURY FOR DONALD SYVRUD, OASIA

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 11552 01 OF 02 231806Z

E. O. 11652:NA

TAGS: ECON, UK, EFIN, EAID, PINT
SUBJECT: POLITICAL IMPLICATIONS OF CHANCELLOR'S
PROPOSED CUTS IN PUBLIC EXPENDITURES

REF: LONDON 11463

1. SUMMARY: POLITICAL IMPLICATIONS OF CHANCELLOR'S PROPOSED CUTS IN PUBLIC EXPENDITURES HAVE TO DATE FOLLOWED EXPECTATIONS: LABOR LEFT IS OBJECTING TO CUTS AND CONSERVATIVES HAVE WELCOMED CUTS AS STEP IN RIGHT DIRECTION WITH SOME RESERVATIONS. PRESENT OUTLOOK IS FOR PARLIAMENTARY DEBATE ON CHANCELLOR'S STATEMENT AUGUST 3, WITH LITTLE LIKELIHOOD FOR GOVERNMENT DEFEAT OR MAJOR EMBARRASSMENT. END SUMMARY.

2. HEALEY'S SPEECH JULY 22 ANNOUNCING GOVERNMENT'S PLAN TO CUT PUBLIC EXPENDITURES MET WITH PREDICTABLE IMMEDIATE RESPONSES INHOUSE OF COMMONS. CONSERVATIVE SHADOW CHANCELLOR HOWE WELCOMED CUTS AS "SIGNIFICANT STEP IN RIGHT DIRECTION," RESERVING CONSERVATIVE CRITICISMS UNTIL AFTER PARTY HAD OPPORTUNITY TO STUDY PROPOSALS IN DETAIL. CONSERVATIVE BACK-BENCHERS RAISED OBJECTIONS TO CUTS IN DEFENSE.

3. TRIBUNE GROUP LABORITES TRIED MAN-AND-WOMANFULLY TO "CATCH THE SPEAKER'S EYE." THOSE WHO DID SO DEPLORED CUTS IN PUBLIC SPENDING AND SUGGESTED ALTERNATIVE ECONOMIC SOLUTIONS (INCREASED TAXATION, IMPORT CURBS). FRUSTRATION BUILT UP ON THE LEFT WHEN THE SPEAKER PASSED THEM OVER. MANY MEMBERS VENTED THEIR FRUSTRATION WITH NAME CALLING AND AUDIBLE INTERPOLATIONS. MEANTIME, TONY BENN SAT LIKE A CAPPED VOLCANO ON THE FRONT BENCH, OPENLY EVIDENCING HIS DISTASTE FOR THE PROCEEDINGS. PETER SHORE OCCASIONALLY SMILED.

4. TUC REACTION TO PROPOSED CUTS REMAIN AS PREVIOUSLY REPORTED (LONDON LL30L), BUT TUC GENERAL COUNCIL WILL HAVE AN OPPORTUNITY TO DISCUSS JULY 28.

5. MPS ARE TODAY EXPRESSING A SENSE OF RELIEF THAT THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 11552 01 OF 02 231806Z

CUTS, LONG IN THE WIND, HAVE NOW BEEN ANNOUNCED AND CAN BE DEBATED. CONSERVATIVE MPS REFLECT THE CONCERN AND SURPRISE OF THE CITY" ABOUT THE CHANCELLOR'S PLAN TO RAISE ADDITIONAL REVENUE THROUGH INCREASING BY TWO PERCENTAGE POINTS THE EMPLOYER'S SHARE IN THE NATIONAL INSURANCE CONTRIBUTION. BUSINESS WAS NOT, REPEAT NOT, CONSULTED IN ADVANCE ON THE CHANCELLOR'S PLAN AND TENDS TO SEE IT AS AN INCREASE IN LABOR COSTS AT A TIME

WHEN INDUSTRY IS BEING ASKED TO INVEST; THE MOVE IS
CONSIDERED THE GOVERNMENT'S CONCESSION TO THE LEFT
WING AND A SHREWD WAY OF LIMITING THE CUTS REQUIRED
THROUGH INCREASING REVENUES.

6. DETAILS ON THE NEXT STEPS HAVE NOT YET BEEN
ANNOUNCED. WE HEAR FROM SOME MPS OF BOTH PARTIES
AND FROM A CONSERVATIVE SPOKESMAN ON ECONOMIC AFFAIRS
(DAVID HOWELL) THAT THE STATEMENT WILL LIKELY BE
DEBATED IN PARLIAMENT AUGUST 3. WHILE WE DO NOT BELIEVE
THE GOVERNMENT IS REALLY ENDANGERED BY LACK OF
SUPPORT FROM THE LABOR LEFT OR BY THE CONSERVATIVE
OPPOSITION'S TEMPERED RESPONSE, HOLDING OFF ON DEBATE
UNTIL AUGUST 3 IS A POLICY OF SOME RISK. ALTHOUGH
DELAY IN FORCING THE PACE OF THE DEBATE HAS SOME
ADVANTAGE IN PERMITTING OPPONENTS OF CUTS AN OPPORTUNITY
TO LET OFF STEAM BY PUBLICLY VENTING THEIR DISAPPROVAL,

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 11552 02 OF 02 231806Z

43

ACTION EUR-12

INFO OCT-01 EA-07 NEA-10 IO-13 ISO-00 SP-02 USIA-06 AID-05

EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 /117 W

----- 125642

R 231756Z JUL 76

FM AMEMBASSY LONDON

TO TREASURY DEPT WASHDC

SECSTATE WASHDC 3935

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY NEW DELHI

AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDEL MTN GENEVA
USDOC WASHDC

LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 11552

IT ALSO GIVES TIME FOR OPPONENTS TO COORDINATE THEIR
ATTACK AND PERHAPS STRENGTHEN OPPOSITION TO THE CUTS.
AT THIS TIME, HOWEVER, IT SEEMS DEFINITE THAT THE
CONSERVATIVES WILL NOT BE ABLE TO OPPOSE THE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 11552 02 OF 02 231806Z

CHANCELLOR EVEN THOUGH THEY MAY QUIBBLE AT SOME OF THE
SPECIFICS, WHILE THE LABOR LEFT HAVE INDICATED THEY
WILL OPPOSE CUTS BY THE GOVERNMENT UP UNTIL THE TIME
IT BECOMES A MATTER OF A VOTE OF CONFIDENCE AND POSSIBLE
LOSS OF POWER BY THE LABOR GOVERNMENT.

7. EVEN THE FORMAT OF THE DEBATE HAS NOT BEEN
DECIDED. THE GOVERNMENT WILL LIKELY WANT TO HAVE A
VOTE, WHICH WILL STAND AS AN ENDORSEMENT OF THE
CUTS, BUT MAY NOT CHOOSE TO POSE THE QUESTION AS A
VOTE OF CONFIDENCE UNLESS THAT IS REQUIRED TO SILENCE
THE OPPOSITION OF ITS OWN LEFT. THE CONSERVATIVE
OPPOSITION WILL WANT TO MAKE SURE THE DEBATE EXPOSES
THE DIVISION ON LABOR'S OWN BENCHES, WITHOUT THE
NECESSITY OF THE CONSERVATIVES' VOTING AGAINST
EXPENDITURE CUTS. THESE TACTICAL CONSIDERATIONS
WILL SHAPE THE STRATEGIES OF BOTH THE GOVERNMENT
AND THE OPPOSITION IN THE COMING WEEK.

8. WE AGREE WITH ANALYSIS OF FINANCIAL TIMES' DAVID
WATT WHO STRESSES POLITICAL ACUMEN IN HEALEY'S
PROPOSALS WHICH (A) ADROITLY SPREAD CUTS ON VARIOUS
SOCIAL PROGRAMS WHILE LEAVING OTHERS UNTOUCHED,
(B) INCREASE THE WAGE COSTS OF EMPLOYERS, AND (C)
CUT DEFENSE (THOUGH MODERATELY). HEALEY'S PACKAGE
IS A WELL-DESIGNED MIX WITH CAREFUL ESTIMATION OF
THE POLITICS INVOLVED. IN SPITE OF THE FLOW OF
RHETORIC, WHICH WAS ALREADY COMMENCED, IT IS NOT A
PACKAGE WHICH WILL BE REJECTED IN FINAL ANALYSIS
IN PARLIAMENT.

ARMSTRONG

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, GOVERNMENT EXPENDITURES, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON11552
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760284-0614
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760729/aaaaaysd.tel
Line Count: 225
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LONDON 11463
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2004 by greeneet>; APPROVED <02 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POLITICAL IMPLICATIONS OF CHANCELLOR'S PROPOSED CUTS IN PUBLIC EXPENDITURES
TAGS: ECON, EFIN, EAID, UK
To: TRSY STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006